Using Risk Assessment Methodologies to Meet Management Objectives

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Introduction

- Corporate and program objectives focus on desired performance and results.
- Management decisions that affect how to meet these objectives now involve a complex mix of: technology, safety issues, operations, process considerations, employee considerations, regulatory requirements, financial concerns and legal issues.
- Risk Assessments are a tool for decision makers to understand potential consequences and be in a position to reduce, mitigate or eliminate costly mistakes or catastrophic failures.
Defining Management Risks

- Management Risk can be defined as - the possibility that an event will occur and unfavorably affect the accomplishment of stated goals and objectives.

- Different types of risks that can affect a project or company include:
  - Financial markets
  - Politics and public relations
  - Legal liabilities
  - Accidents
  - Weather and other natural disasters
  - Safety Issues
  - Regulatory / Government changes
  - Environmental concerns
Defining a Risk Assessment

- Risk assessment is a systematic process for identifying and evaluating events that could affect achieving a goal or objective.

- A risk assessment should begin and end with a specific business objective associated with the identification of the potential conditions or barriers responsible not meeting the objective.

- Defined objectives provide a basis for measuring the impact and probability (usually identified as likelihood X consequence = risk) of risk ratings or rankings.
Effective Risk Management Plans and Programs Include:

- An objective and systematic program to identify, understand and act to address risks including a method to evaluate the identified “risk” and it’s consequences.
- A comprehensive plan for success that includes development, implementation, refinement and monitoring of effectiveness of the plan.
- Actions to ensure that Risk Management becomes an integral part of the decision making process.
- Responsibilities, training and methodology to identify risks on a continuous basis
Risk Identification Includes:

<table>
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<tr>
<th>Safety Objectives (types of risk)</th>
<th>Program Risks Objectives (types of risks)</th>
<th>Factors to consider for Company or program risk generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workers</td>
<td>Schedule</td>
<td>Industry and industry standards,</td>
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<td>Facility</td>
<td>Budget</td>
<td>Risk tolerance</td>
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<tr>
<td>Environment</td>
<td>Public perception</td>
<td>Tasks, tools, and environment</td>
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<td>Operations</td>
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<td>Type and availability of data</td>
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<tr>
<td>Public</td>
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<td>Industry views and requirements regarding risk &amp; reliability</td>
</tr>
</tbody>
</table>
Effective Risk Management Plans and Programs Include (continued):

- Processes to communicate risk concerns and identification
- Risk owners
- Method for prioritization
  - Who is responsible for prioritization, who needs to agree?
  - What are the basis for the priorities (methodology)?
  - How risks will be addressed
- Action plans
Analyze Risk

- Types of assessments include:
  - Qualitative assessments - generally subjective
  - Quantitative assessments - objective, data driven
- Select Methodology based on:
  - Cost and benefit
  - Fits the need
- Risk assessment as a management tool evolves and matures over time
- Benchmark and compare risk information across similar organizations
- Identify and understand risk causes to determine effective responses to minimize risks
Plan and Implement Risk Responses

- Address Risk based on:
  - Consequences
  - Cost/benefit
  - Goals and objectives

- Options for management decisions
  - Avoidance
  - Minimization
  - Acceptance

- Measure the effects of your risk management efforts
- Continuously implement improvements
Risk log/register should:

- Track Risks and Associated Tasks
- View progress & documents risk
- Focus on the current situation of each risk and identify changes
- Show responsibilities, due dates and actions
- Show or measure success
Standards

- ISO 31000 provides an internationally recognized benchmark for risk management practices with sound principles for effective management and corporate governance.
Summary/conclusion

- Using a risk assessment methodology is only a starting point.
- A risk assessment program provides management with important input in the decision making process.
- A pro-active organization looks to the future to avoid problems, a reactive organization can be blindsided by risks that could have been avoided.
- You get out what you put in, how useful your program is will be up to the individual organization.